



FOR IMMEDIATE RELEASE

July 30, 2004

Contact:

Ray Filippone (401) 462-8415
Unemployment Insurance

State Awarded \$35K Grant to Reduce Tax Evasion Federal Crackdown on Evasive Employers Expected

CRANSTON – The US Department of Labor's Employment and Training Administration has announced Rhode Island is one of seven states nationally to participate in the pilot program "*State Unemployment Tax Act (SUTA) Dumping Detection System*." Rhode Island will be awarded a \$35,417 grant to cover expenses including hardware, software, programming, and installation.

SUTA dumping is a practice some employers use to evade Unemployment Insurance (UI) taxes. It occurs when an employer moves a large number of employees from an account of a company with a high UI tax rate to a related company with a lower UI tax rate. Alternately, some employers launch a business by purchasing an existing company with a low UI tax rate, then subsequently discontinue the purchased business enterprise, thus evading the higher initial tax rate for new employers. Such schemes can have a substantial and negative impact on the state UI Trust fund. When some employers fail to pay their fair share of UI taxes, the cost is passed on to all employers through higher taxes.

The Rhode Island Department Labor and Training (DLT) applied for the \$35K SUTA grant in anticipation of Federal legislation that will make it mandatory for states to enact laws against SUTA dumping and to implement a detection program to identify employers who are attempting to manipulate their UI tax rate. The legislation has already passed both the House and Senate and is expected to be signed into law by President Bush.

Once operational, the pilot *SUTA Dumping Detection System* will be able to detect SUTA dumping schemes. The automated program will extract data from the tax files, produce a prioritized list of employers, estimate the potential loss of UI revenue, and create a report for further investigation.

DLT plans to install the hardware and software by mid-September 2004 and to launch the pilot program on October 1, 2004. The UI Tax office will continually assess information generated by the program and take appropriate action when warranted. DLT estimates that this system will save the UI Trust Fund as much as \$1,000,000 annually.

– 30 –

The Rhode Island Department of Labor and Training offers a wide array of employment and training services to both the general public and to individuals with unusual barriers to employment. DLT is ready to assist any job seeker, whether the goal is a first job, a better job, or a career change. Rhode Island's work force is protected through the enforcement of labor laws, prevailing wage rates, and work place health and safety standards. Temporary income



support is available to unemployed, sick, or injured workers and a comprehensive rehabilitation program is available to those injured on the job.

DLT is dedicated to the growth and competitiveness of Rhode Island industry, administering a variety of training grants, tax credits, and apprenticeship programs to help employers. Economic indicators and labor market information are available for long-range planning. The Agency engages in active outreach, helping large and small employers retain their best workers or retrain their existing work force. At no cost to the employer, DLT will also screen job applicants, post job vacancies, and help businesses institute cost-sharing programs that can avert layoffs.

For more information on the innovative programs and services available to all Rhode Islanders at the Department of Labor and Training, please call (401) 462-8000 or visit the web site at www.dlt.ri.gov.

*Equal Opportunity Employer
Auxiliary aids and services are available up on request to individuals with disabilities
TDD (401) 462-8006*

Marketing/Communications • 1511 Pontiac Avenue • Cranston, RI 02920

www.dlt.ri.gov

Governor Donald L. Carcieri



Director Adelita S. Orefice